

**Roger M. Ervin Remarks**  
**Wisconsin Towns Association**  
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Over the past year, the world and Wisconsin's economy has changed in dramatic fashion—from boom to bust. The cataclysmic events that began in the financial services industry have paved a new path. Going forward the relation between capital base and risk will be much more connected: regulated markets will be the standard and the emphasis will be on a higher level of accountability. Profits will be derived from incremental, sustained growth and a new framework for risk management will be the formula for recovery. Private industry is indeed quickly realigning to conform and we are finding ways to help them compete in the new economy.

Like business, the economy has changed the outlook for government. The recent fiscal challenges, including a deficit of nearly \$7 billion, require that we streamline state operations in a reduced resource environment. But government must also be ready to react to the public's evolving demand for new ways to deliver services. It is undeniable that the public's behavior has shifted in terms of how we live our lives, how we communicate and what we expect from government service.

The objective for government is to incorporate those changes into the way that we run our agencies and the way in which all government, down to the local level, responds to the market. This means really managing operational costs, people, legal frameworks, and measuring public perception and expectations as we proceed.

Under Governor Doyle's leadership, we are finding ways to incentivize prudent management across the economy and drive more governmental efficiency. We cut state spending by more than \$3 billion over the next two years, including across the board reductions for all state agencies and the review of all service contracts to reduce costs.

We are also finding efficiencies and new paths to economic growth by passing sweeping changes in laws that construct modern statutory frameworks. For the private sector, we have invested in credits and grants that bolster new technology industries. We have also provided lead support for investment and reinvestment strategies that will make a significant difference for our established industries as we recover from this recession. In income and sales tax law, the changes have been historic and necessary. Taxpayers are recognizing that the moving to national standards on taxation can better facilitate companies that do business in multiple locations. It is also fair for our local business so that they can remain competitive with out-of-state rivals.

Finally, by modernizing our laws we reduce the need for litigation by keeping pace with changes in the market. It is a real savings to industry and government.

A market-driven system of taxation gives us all comfort in understanding what our obligation may be at any given time. The formula is straightforward: reduced ambiguity leads to increased confidence and trust in the system. In property tax, the oldest major tax on the books and the foundation of Wisconsin's diversified tax system, changes have been slower, more incremental or in some cases, significantly lagging behind the market. Given its current impact on our balance sheet as the most stable and reliable revenue source at more than \$8 billion, it is critical that we look at how to bring needed change to property tax administration.

We have taken a few significant steps—acquiring technology to create efficiency in equalization, making progress on electronic filing, working with groups like this one on standards and training. But it is the sum of all parts that need to move forward if we are to make the kind of gains that the public expects from us. In this era of accountability and accuracy, property owners are demanding more equity and transparency in the process of property assessment, equalization, and local government budgets and services. The public demands, and deserves, the lowest cost of government with the delivery of the highest quality of service.

To reach that objective, we must explore reform in key areas of the property tax system, three of which I would like to address today. First, we must reduce ambiguity and increase the public trust by working toward a legal and administrative framework that is modern, efficient and adaptable to change. Second, we must guarantee the reliable collection of data, which is possible only through a healthy and professional assessment industry. And finally, we must ensure the highest level of quality and efficient data management through the integration of technology and market dynamics.

The current property tax structure is not cost effective; it requires rework at multiple levels of government and is not positioned to fully leverage the efficiencies and economies of scale available in assessment models with larger assessment districts.

We envision the future of the property tax this way: Wisconsin will adopt a single-value property tax system, with properties valued at 100 percent of full value for the apportionment of local and overlying taxation district levies. To implement a single value assessment system, we will move forward with county level assessment or some other form of consolidated assessment.

This concept is not new and, in fact, it reflects the national landscape. Over the past 34 years, numerous bi-partisan committees have studied and proposed property assessment reform in Wisconsin. The consistent recommendation of each study was a form of consolidated assessment and annual full value assessment to address the fairness of apportioning overlying jurisdiction budgets. Most other states with a property tax have far fewer assessment districts than Wisconsin or employ a full value assessment. To achieve equity at all levels of the property tax system, we must move toward these changes with all partners at the table.

What does this mean for assessors? Quality, professional assessors are vital to the success of reforming the administration of the property tax. Uniform data collection and management methods used by assessors across the state will enable critical information such as parcel identification, attributes and mapping data to be shared, creating efficiencies across all levels of government.

Training will be critical in data collection, and in analytical and communication skills. DOR and professional organizations such as WAAO, IAAO, League of Municipalities, Alliance of Cities, Wisconsin Counties Association and each of you all play a vital role in investing resources in assessors and the assessment function.

Integration of technology in our property tax processes is critical; we are at a point where we must rely on technology to help us meet our reporting and analytical needs. However, it is not the technology but rather the data shared and generated using technology that will bring us to a new level of equity, accountability and transparency in our services.

DOR has been implementing new technology initiatives over the last several years, and making great strides in electronic data sharing. The real estate transfer return must now be filed electronically; the data is available immediately upon completion. This is the first year that the "Provide Assessment Data" system was mandated, providing data from assessors to DOR electronically. Seventy-six percent of M- Forms were filed electronically in 2009, and the majority of TIF forms are electronic as are our payments and receivables from municipalities and counties.

Our Integrated Property Tax System, known to all of you as IPAS, continues to grow. This year we reengineered our Local Government Services and Equalization processes with a focus on timely, accurate data; implementation of our new requirements is set to begin later this month.

We have been working with the real property listers in the counties and some municipalities to obtain assessment rolls with a final goal of IPAS as a repository of all parcel information in the state. From this base, we will begin to develop a more robust database that will store property characteristics and parcel identifiers that can be harvested during our processes for equalization and local government services.

Finally, we must consider long-term maintenance of these changes. As part of an integrated strategy, our property tax policy and administration must reflect the realities of the market, foster governmental efficiencies, and meet the needs of our citizens. Obviously, large questions remain: How will we adapt property class definitions so as to stay current with market changes? How will we engage the Legislature about what it means to have a modern property tax system, and how will we partner with groups like yours, local officials and the public to solicit ideas and gauge sentiment?

The questions are significant, but they are surmountable. It will take leadership, not from the top, but collective leadership. It will take measured and managed risks, but the rewards are comprehensive. Finally, it will take vision, a shared vision that is practical, achievable and forward leaning. We are here today because we need your help to make this vision a reality. You are the gatekeepers to the core part of valuation and the collection of taxes. We want to work with you as partners and we want to ensure you that local control is still the highest priority in this process. As a cornerstone of Wisconsin's history, we intend to maintain that legacy—albeit in a slightly different way.

Before I close, I know that maintenance of effort for emergency services is probably on the minds of many of you in this room as you work on finalizing your budgets for the coming year. The state budget bill created a Police and Fire Protection Fee on communication providers in the state. The money raised by this fee will be distributed through shared revenues and is intended to help local governments maintain emergency services.

The Department of Revenue is charged with determining every county and municipality's expenditures on emergency services for 2009 and using that as the base to determine maintenance of effort for emergency services in future years. The statutes also provide us with a large amount of flexibility in determining the definition of emergency services and making adjustments for efficiencies that may reduce expenditure in subsequent years.

We sent out a draft worksheet and asked for comments earlier this fall. We appreciate all the feedback we received and we have tried to incorporate your concerns and questions into the process. I want you to know that we understand that local governments define emergency services differently, and provide those services through different models so we are going to work with each county, city and town to account for each unique set of circumstances:

- Each local government will have latitude in determining their own definition of emergency services to help set the 2009 base number.
- We will work with local governments in making adjustments as they may have retirements or other circumstances that adjust their expenditures from year to year.
- Any penalties that may be assessed will be in proportion to the amount of shared revenues that make up your total budget.

You will be receiving the finalized worksheet and other information on maintenance of effort for emergency services, probably within the next few days. Our staff will continue to be available to you if you have additional questions as you work through this process.

I look forward to continued dialogue on these issues, focusing on the objectives I know we all share: high quality, cost effective service for our constituents and greater equity at all levels of the property assessment process. Thank you for your time today.